

OCT 30 1937

# The American Observer

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*

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## Attention Drawn to Stock Market Slump

**Prices Stage Greatest Decline in Six Years as Business Faces An Uncertain Future**

### MARKET FUNCTION PROBED

**Wall Street Does Not Necessarily Reflect True Condition of Business and Industry**

There were signs of forebodings throughout the nation the last few days of October as people recalled that the break and panic which occurred in the stock market came almost exactly eight years after the 1929 crash which has been considered as the initial step in the great depression. Did the recent break in stock prices presage another depression? Had the recovery which seemed only to be getting under way suddenly come to a standstill? Was the country headed for another period of hard times? What was the significance of the October break in the market, the worst the nation had witnessed in six years? These were but a few of the questions which naturally arose, and which still have people perplexed and uncertain of the future.

#### Sweeping Decline

Unfortunately, definite answers to all these questions cannot be given. The financial structure of the nation is so intricate and the various forces which influence it are so complex as to make accurate analysis next to impossible. As always happens in cases of great declines in the stock market, all sorts of explanations are given. Everyone has a pet theory to explain the break. To some, it is the meddling of the government which has made investors in corporations lose confidence. To others, it is the threat of war. Again, it is asserted that powerful financial interests have deliberately attempted to depress the price of stocks in order to embarrass the Roosevelt administration. The truth probably is that no single cause is responsible for the decline in prices, but that it is due to a number of factors. We can only survey the extent of the break and examine the role which the stock market plays in our economic life.

While the late October crash took on panic proportions, it was but the climax of a movement which has been going on since about the middle of August. From that time until the crash of a few days ago, there was an almost steady decline in stock prices. Millions of individuals who own shares of stock in the nation's corporations saw the value of their holdings shrink in an alarming fashion. Many of them lost all the savings they had invested in stocks. As a matter of fact, most stocks are at the time of this writing worth only about 55 per cent as much as they were before the downward movement began. A person who paid \$10,000 for stock last summer would get only about \$5,500 if he sold it now.

To the majority of people, fluctuations in the stock market have little direct effect. It is true, of course, that several million individuals—not only the wealthy, but also clerks and mechanics and farmers and teachers—have invested their savings in stocks of corporations, and that price changes affect them rather seriously. Most people, however, are interested in the stock market only insofar as it has an effect upon business conditions generally. They

(Concluded on page 8)



THE PHOTOGRAPHER'S ART

From a photograph by Edward Steichen, in "U. S. Camera, 1937." William Morrow. (See page 5)

## The Art of Discussion

It is often said that we arrive at the truth through discussion. Hence we are advised to talk things over, to discuss problems of importance, to argue. This is, on the whole, very good advice. We do derive benefit from discussion, but only provided we observe the recognized rules of the game. The first of these rules is that we should know something about the subject we are discussing. There must be some basis of fact or information. If we are without knowledge concerning the matter under consideration, we should listen rather than talk. Many people do not observe this rule. They rattle on, expressing the vaguest sort of ideas, saying whatever comes into their minds, giving vent to their feelings and prejudices, when they know next to nothing about the subject. This isn't really argument or discussion. It is merely tongue wagging. You may say that you have a right to your own opinion. A legal right, yes. But the right to an opinion not grounded upon fact and thought is one which other people can scarcely be expected to hold in high regard.

A second rule is that one who engages in discussion should be looking for the truth and should be willing to recognize it when he sees it. Too many people engage in argument for the purpose of showing off. Their object is to demonstrate their cleverness. They state an opinion and then defend it for the purpose of making it prevail. They are not open to conviction and will not shift their positions in the light of new evidence. Most arguments are on this plane, and they usually end where they began. It is legitimate for one to state his position strongly and to marshal all available arguments in its support. But he should recognize the fact that the purpose of the discussion is to learn more of the truth, so when a position he has taken is proved wrong he should abandon it. Otherwise he gives his opponents a tremendous advantage; the advantage of standing on a firm foundation of truth, whereas he stands on a foundation of error. The wisest and, in the long run, the most successful are those who see facts clearly, who have accurate information, who possess logical opinions based on logical reasoning. One who refuses to accept the truth merely because it has been discovered by someone else is like a businessman who refuses to adopt modern and improved methods because they were originally developed by others.

A third rule of discussion is that one should be tolerant and respectful, speaking calmly and only in turn, giving consideration to points raised by others, taking time to express one's views, but avoiding the show of egotism which sometimes leads one to speak at too great length or with undue assurance. These are a few of the rules which, if followed, will make discussion more useful and agreeable.

## Italy Commemorates 1922 March on Rome

**Establishment of Fascism One of Most Significant Postwar Developments in Europe**

### STUDY OF SYSTEM IS MADE

**Supremacy of State Over All Aspects of Life Considered Outstanding Feature**

A few days ago, on October 29 to be exact, the Italian people celebrated what has come to be one of the greatest events in their national history—the "march on Rome." It was just 15 years ago that the black-shirted followers of the one-time Socialist, Benito Mussolini, filed into the Italian capital and that the leader himself, following in a de luxe train from Milan, was placed in charge of the government. Despite the fanfare that has since been raised about the "march on Rome," it was a relatively tame affair. The Fascists were able to seize power not so much because of their military strength as because the parliamentary government had crumpled of inertia and inability to cope with the problems which were then plaguing Italy.

#### Significant Development

Whatever may have been the causes of the establishment of Fascism in Italy (the social and economic conditions existing in Italy prior to the "march on Rome" are described on page 6 of this issue of THE AMERICAN OBSERVER), it must be considered as one of the truly important developments of postwar Europe. It may not be, as Mussolini once declared, that "Fascism will be the type of this century's European and world civilizations," but it has already had immeasurable consequences upon the entire world. Other nations have copied its political forms and doctrines and have remodeled their economic systems along the lines of the Italian. Even our own country is not immune to its effects, for the term "fascism" is bandied about, frequently by people totally ignorant of its meaning.

It is probable that Mussolini and his Fascists themselves had little idea of the evolution their system of government would eventually take at the time they established themselves in power. As a matter of fact, it is difficult even today, after a decade and a half of experimenting, accurately to define the Fascist system as it exists in Italy. There are conflicting aims and policies. It involves a not-always-consistent political philosophy. Its economic development has frequently been subject to fundamental changes. All we can do in this article is to approximate a definition of the system by examining how it has worked in Italy.

The core of the Fascist system of government is the supremacy of the state. Unlike democratic government, which, in theory at least, exists for the benefit of the individual, the state existing only to help him realize his latent potentialities, Fascism subordinates the individual to the state. There is no phase of the individual's life which is not regulated by the government. He works at the wages prescribed by the state. He reads only that which the state has decreed that he shall read. If the state calls him to military service, he must be ready to go. If he expresses opinions contrary to the theories of Fascism, he incurs the state's displeasure; which may mean a merciless death, or confinement in a concentration camp. Never in the history of the world has the individual been more completely subjected to the will of the





SALUTE TO THE DICTATOR

ACME

government than he now is in Fascist Italy.

This conception of the supremacy of the state over all individuals has been clearly set forth by Mussolini himself. "The keystone of the Fascist doctrine," he has written, "is the conception of the state, of its essence, its purposes, its ends. For Fascism, the state is an absolute, before which individuals and groups are relative. . . . A state which is based upon millions of individuals, who recognize it, feel it, are ready to serve it, is not the tyrannical state of the medieval lords. It has nothing in common with the absolutistic states before and after 1789. The individual in the Fascist state is not annulled but rather multiplied, just as in a regiment a soldier is not diminished but multiplied by the number of his comrades. The Fascist state organizes the nation, but then leaves sufficient margins to the individuals; it has limited the useless and noxious liberties and has conserved the essential ones. The judge of such things cannot be the individual but only the state."

#### Supremacy of State

And what is the state supreme, which is the judge of all things? It is one man, the dictator, Il Duce, Benito Mussolini. Forms of democratic government may be preserved. There may be a cabinet, grand councils, local representatives, subofficials of one kind or another. They all perform their duties, but in the end it is the will of one man which determines how the nation shall be run. There can be no political parties other than the official Fascist party. All other groups were disbanded shortly after the "march on Rome." As Mussolini has expressed it, "A single party, by means of which there shall be effectuated political control as well as economic control, and which shall be, above the competing interests, a bond which unites all in a common faith."

The basis upon which the totalitarian or authoritarian state necessarily rests, whether it be Communist or National Socialist or Fascist, is the terror. The most ruthless measures imaginable are employed to maintain the absolute power of the state. Even those who oppose the policies of the government from outside the national confines are not immune to the terror, as murders of anti-Fascists in foreign nations bear ominous testimony. "Terror is the only instrument sufficiently powerful to enable the attainment of the goal of totality," writes Calvin B. Hoover in his "Dictators and Democracies."

We have thus far confined ourselves largely to the political aspects of the Fascist system of government. How about the economic side? How does the state

control business? How do the workers fare under Fascism? Does the government own the industries of the country, as it does in Soviet Russia? In a word, what is the economic setup of Fascism?

#### Economic Controls

There are a good many people who accept the theory that Fascism is merely an attempt on the part of the state to bolster a tottering capitalist system. It is claimed that when there is danger of workers' rising up against their employers and overthrowing the system of the private ownership of property, the strong arm of government is used to put down such a movement and to use force to protect the existing economic system. If this theory is correct, Fascism would be an advanced stage of capitalism; it would be a system run for the benefit of business and industry.

It is true that many businessmen have lent their support to Fascism. Money supplied by business and industry was undoubtedly largely responsible for its early rise to power. But as Fascism has evolved during the last 15 years, it is clear that it has not been a system run exclusively for the capitalists of Italy. Mussolini has announced that all the large-scale industries of Italy would be nationalized. In that case, they would not only be controlled by the government; they would be owned and operated by it. Only a few days ago, the government announced that a 10 per cent capital levy will be assessed on all corporations within the country to support the war and armament programs. This will constitute a heavy drain upon all companies, for they will be required to contribute to the government a tenth of all the money invested in them.

These are not the only ways in which the government has interfered with business and industry in Italy. In other ways, the state interferes with the capitalists and with property rights. As Mr. Hoover points out in his book, already referred to, "Private property does not consist of things. It consists of rights, the most important of which is the right to receive an income without the requirement of any personal service rendered. Viewed from this angle, one sees that private property in Germany and Italy has been sharply limited. In Italy one may not use one's land to produce the most profitable crop, but instead one must use it to produce the crops which Italy's need for self-sufficiency dictates. Through its control of all important financial institutions, the Fascist state uses the savings of individuals where the interest of the state demands, and the return upon them is determined by the state. Even though it is probable that, after industries

have been nationalized, private security-holders will continue to receive a limited return, the state will have the right and power to determine the rate that will be paid. Inflation of the price level may well reduce the value of interest and dividends paid to a purely nominal value."

At best, therefore, Italian Fascism may be defined as a system of modified capitalism. Under a purely capitalistic system, individuals are entitled to receive whatever income they can from the ownership of property and the instruments of production. Under Fascism that right has been rigidly interfered with, and in certain instances, will eventually be completely abolished. As Mussolini himself has aptly put it: "Today we can affirm that the method of capitalistic production is superseded and with it the theory of economic liberalism which illustrated and provided the apology for it. Free competition is dead," he asserted, and there is "no economic field in which the state is not obliged to intervene."

#### The Corporations

The particular device through which the government exercises its all-inclusive control over Italian industry is the so-called corporations. These "corporations" are not like the American business firms. They are rather agencies of government which have the last say about how the various industries shall be run. There are 22 of them in all, each representing a group of industries or economic activities. For example, there is a corporation for the textile industry, one for metallurgy and engineering, one for paper and printing, and so

on. Theoretically, these corporations might be conceived as independent associations of Italian industries, since the councils which determine policies are made up of representatives of workers, employers, technical advisers, and members of the Fascist party. Practically, however, the corporations are organs of the state and every vital decision must have the approval of the president of all the corporations, who is none other than Benito Mussolini himself.

#### Effects Upon People

We now come to the Italian worker. How has he fared under the Fascist regime? His life is rigidly regulated by the government. The Fascists, like the Nazis in Germany, early abolished the right to strike, and labor organizations worthy of the name do not exist in Italy. If the worker has grievances, he may take them to special labor courts, to be sure. They will get increases in wages only when the corporations, that is, the state, that is, Mussolini, so decrees. If the corporations decree that their wages are to be reduced, the workers have no recourse. The burden of taxation falls heavily upon the worker. Only recently an increased sales tax was imposed by the government as a part of its armament-financing program. The standard of living in Italy is exceedingly low, barely above the subsistence level. It is true that part of the workers' losses in real income have been made up by such social services as accident insurance, health insurance, additional recreational facilities, child and maternity welfare, etc. But these gains are infinitesimal, compared with the needs of the workers.

How have the farmers of Italy fared during the last 15 years? This class constitutes about a half of the population, two-thirds of those engaged in agriculture being day laborers. Certain governmental policies have been of definite assistance to them, such as, for example, land reclamation, new roads, improved water supply, irrigation, the encouragement and teaching of improved agricultural techniques. Moreover, the producers of certain products have received special benefits from the government in the form of subsidies which have increased the price of their goods. But the farmers, like the workers, have an extremely low standard of living. With few exceptions, they are worse off now than they were before the advent of Fascism.

It is difficult, practically impossible indeed, accurately to measure the gains and losses of the Fascist regime during the last 15 years. Political stability has been maintained, and there is no longer the economic chaos which prevailed during the postwar period. There have been a number of internal improvements, such as roads, waterways, etc. It is not accurate to say, however, that any class of the population has been ushered into Utopia as a result of the Fascist experiment in absolute control. Even the most powerful industrialists have been called upon to bear their share of the burden, and the indications are that more will be exacted of them in the future.

It is on the political front that Fascism has made its greatest gains. If Fascism has done nothing else, it has given to Italy a

(Concluded on page 7, column 4)

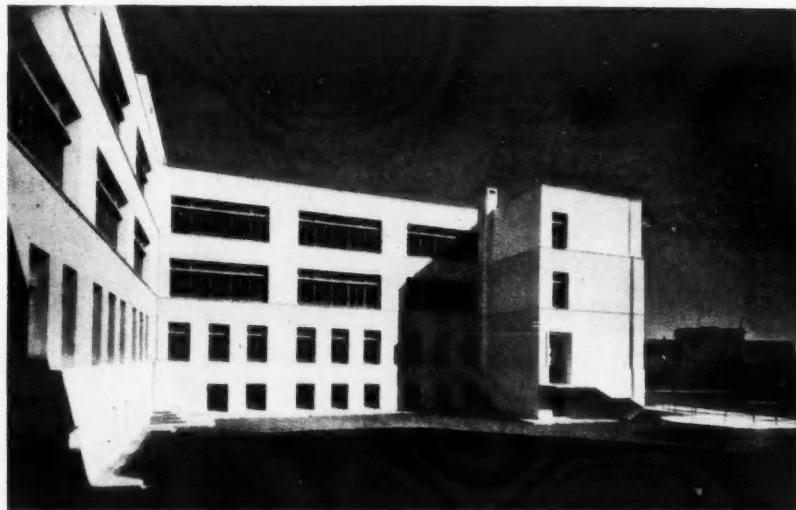


PHOTO BY VASARI

#### ITALY TURNS TO MODERNISM

Great building activity has been a feature of the Mussolini regime. This is a new elementary school in Rome.





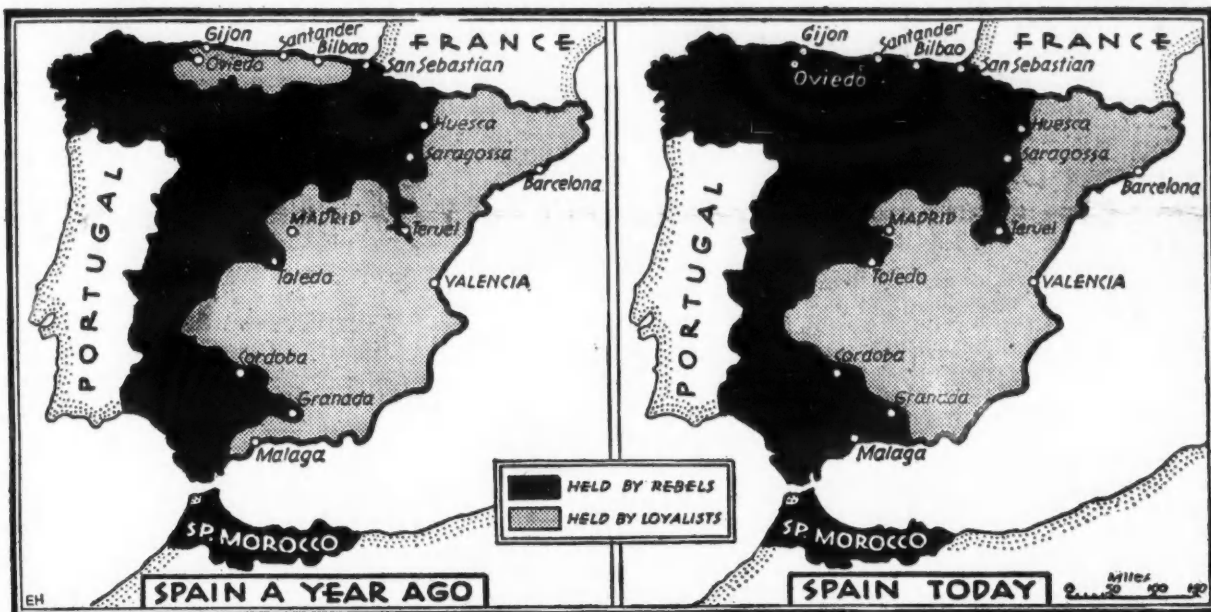
# AROUND THE WORLD



**England:** The London Nonintervention Committee, formed more than a year ago to localize the Spanish civil war, was once again on the verge of collapse, last week, with a confession of failure to achieve the withdrawal of volunteers. The committee had reason to hope, during the past fortnight, that after months of apparently futile wrangling, its efforts would begin to bear fruit. Italy had suddenly shown herself more conciliatory than she had been for months; the Italian delegate had agreed to the threefold British proposal for an immediate "token" withdrawal of a small number of volunteers, for the appointment of a commission to go to Spain to determine the number of foreigners fighting with each side, and for the eventual withdrawal of all the volunteers.

But this conciliatory attitude of Italy did not last for long. The foreign office in Rome issued a statement declaring that there were but 40,000 Italians fighting with the rebels and that this figure must be accepted by the London committee without further discussion. The Italian press intimated that Mussolini would not agree to having a commission go to Spain to take a census of the foreign troops. That anyone should doubt the word of the Italian government was declared by the government-controlled press to be "dangerous."

Several observers are of the opinion that France and Great Britain, despite this new Italian outburst, will do everything possible to prevent the Nonintervention Committee from breaking up. Whether they will be successful remains to be seen. These observers point out that it would be wholly to Italy's advantage to adopt



WHAT THE SPANISH INSURGENTS HAVE GAINED SINCE LAST YEAR

COURTESY NEW YORK TIMES

desperate steps by his refusal to cooperate with the Nonintervention Committee, Mussolini could realize his aim of having a fascist regime in Madrid.

\* \* \*

**China:** As the Nine Power Treaty nations convened at Brussels, Belgium, to seek a solution to the war in the Far East, the Japanese continued their advance in both North China and Shanghai. Of the five northern provinces, only Shansi and Shantung remained as yet unconquered, but there was evidence that the Japanese high command was preparing for a vigorous offensive that should bring its columns to the banks of the Yellow River.

This, according to a reliable source, is the limit set by the Japanese command. With the surrender of the two resisting provinces, Tokyo will have gained her present objective—control of an area of 500,000 square miles, roughly equivalent to the combined territory of France, Germany, and Italy, with a population of 80,000,000.

\* \* \*

**Russia:** While political executions in Soviet Russia continue with unabated zest, the great mass of Russians, only remotely concerned with the purge, are preparing for the elections to be held on December 12. About 100,000,000 voters are expected to go to the polls to select more than 1,000 deputies for the national legislature and 2,000,000 local officials. The election is being widely hailed in the Soviet press. The people are being told that "nowhere else in the world has the adult population ever received such election freedom."

Critics of the Soviet Union point out that while the voting is to be by secret ballot, that does not mean that the Russians are to be given election freedom. The voters do not have a choice of parties. They cannot nominate candidates opposed to the present form of government. All they can do is to choose between candidates who are pledged to carry on the present government's policy.

\* \* \*

**Germany:** The past month has witnessed a series of events which, though seemingly unrelated, form themselves into a rather neat pattern which seems to point to the revival of German expansion in Europe. Chancellor Hitler, despite appearances to the contrary, does not act by

sudden impulse. With an uncanny grasp of the European political situation, he may take advantage of strategic moments, when the major powers are otherwise absorbed, to make his more important moves. But these moves are later seen to follow a thoughtfully organized plan.

Bearing this in mind, the recent German pledge of Belgian neutrality, the recurrence of strained relations between Germany and Czechoslovakia, and the suppression of all opposition parties by the Nazis in the Free City of Danzig are all seen to be colors of the same rainbow.

As previously explained (THE AMERICAN OBSERVER, October 25), in guaranteeing Belgian neutrality, Germany sought military advantage for herself in case of possible future war, by setting up a barrier to the passing of French troops through Belgian territory.

Having thus made it more difficult for the French to observe their military alliance with Czechoslovakia, Germany is now able to turn attention to her long-cherished dream of absorbing the 3,500,000 Germans now living under the Czechoslovak flag. That is the meaning attached to the bitter attacks on Prague which have appeared in the German press. The press

campaign was started by a comparatively trivial incident, when the Prague government suppressed a political demonstration organized by Konrad Henlein, leader of the German minority. The efforts of the police to disperse the demonstration led to rioting with the result that Henlein, with the encouragement of the Berlin foreign office, has made a demand that the German population be granted autonomy. He threatened that the refusal of his demands would lead to widespread disorders.

In Danzig, established as a free city by the Treaty of Versailles, the Nazis were more immediately successful. By dissolving the Catholic Center party, they wiped out the last effective opposition to their complete control of the government, and in effect made Danzig a part of the German government. The League of Nations, responsible for keeping Danzig a free city, is not expected to take any action.

\* \* \*

**Central America:** A postage stamp, as it were, came near to plunging two Central American republics into war a few days ago. For many years, Nicaragua and Honduras have disagreed over the boundary that separates them. In 1906, they submitted their quarrel to Alfonso XIII, then king of Spain, and asked him to arbitrate. Since the king's decision favored Honduras, Nicaragua failed to accept it, and the boundary, running through wilderness territory, remained in dispute.

Except for an occasional verbal squabble, however, the disputed boundary caused but little difficulty between the two nations until recently, when Nicaragua issued a new postage stamp. The stamp showed a map of Nicaragua which included the area under dispute. This angered Honduras, which retaliated by issuing a stamp, in her turn, which showed the disputed area as belonging to her.

The situation became so tense that the two countries began to mass troops at the frontier, and war might have broken out had not the American State Department used its influence to have the dispute settled in a peaceful manner. Both nations have decided to accept an offer of arbitration.



NIGHT-MARE NOSTRUM  
HERBLOCK FOR NEA SERVICE

the British proposal. At best, it would take months for the various commissions to make a comprehensive census of the volunteers in Spain. It would require more time to agree on the method of their withdrawal. Before any agreement could be reached, it is added, General Franco will probably have defeated the loyalists. Thus, without goading London or Paris into more

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WIDE WORLD

AMERICAN DELEGATES TO THE BRUSSELS CONFERENCE  
(Front Row): Stanley K. Hornbeck, Far Eastern adviser to the secretary of state; Norman H. Davis, American ambassador-at-large and head of the delegation; J. Pierrepont Moffatt, chief of the European Division of the State Department; (back row): Charles E. Bohlen, who will act as secretary to the delegation; and Robert T. Pell of the State Department's Office of Information, who will act as press officer.





THEY WATCH THE MARKET

Members of the Board of Governors of the Federal Reserve System as they met to discuss possibilities of federal action in the recent stock market slump. Left to right: M. S. Szymczak, John McKee, Ronald Ransom, Marriner Eccles, chairman, and Chester C. Davis. (See page 6 for article on Federal Reserve System.)

## Labor Parley Opens

Last week committees from the C. I. O. and the A. F. of L. met in Washington with the hope of arranging a truce between the two labor organizations. The meeting, which brought together 10 C. I. O. leaders and three A. F. of L. executives, was not expected to accomplish much beyond arranging for further conferences. The C. I. O. wants larger committees to consider an extensive peace plan; it originally suggested groups of 100 from each organization.

The prospect for peace between the rival labor organizations seems none too bright. Both agree that the cause of organized labor would benefit if rivalry between them were replaced by cooperation. But there is the problem of personal power to be solved. Any kind of merger would give the balance of power either to John L. Lewis and his associates in the C. I. O., or to William Green and his assistants in the A. F. of L. Neither group seems prepared to take a back seat in favor of the other, yet an agreement which would allow each organization to go its own way would be sure to run into conflicting desires.

## The Budget Again

President Roosevelt estimates that the federal government will have a deficit of 695 million dollars when the books are balanced next June. According to the President's figures, the government will spend \$7,345,000,-



BACK IN POLITICS

Former Governor Alf M. Landon of Kansas, as he made his first political speech since his defeat last November. He urged that the President have less power, in order that he be obliged to take counsel with other men of both parties.

000 this year, while it will take in \$6,650,000,000. If the government stays within the limits set by the President, the deficit for this year will be approximately two billion dollars less than it was for the twelve-month period which ended last June 30.

The President issued a budget statement in April, however, which estimated the deficit for this year at only 418 million dollars. The increase of 277 millions over that estimate, says the President, was due largely to appropriations by Congress on which he had not planned, and which he did not favor.

The President's budget estimates in the past have shown a tendency to be lower than the figures actually established at a later date. Last year the actual deficit was more than

twice the estimate he made during the year. Lately the President has been stressing economy and a balanced budget, however, probably in answer to the increasing criticism of excessive spending.

## The President's Son

James Roosevelt has been one of the President's secretaries for some time. Not long ago his father gave him another job, that of "coordinator" of the 18 largest independent agencies in the government, such as the Interstate Commerce Commission, the Federal Reserve Board, and the Federal Power Commission. The President made the new arrangement to relieve himself of some of the many details which these independent agencies bring to him. Because they are responsible primarily to the executive department, they look to him to solve their important problems. Now James Roosevelt will meet with them first, eliminating as many as possible of the questions before they are taken to the President himself.

The newspapers of the nation attached a great deal of importance to this appointment, but the President said that they gave entirely too much space to it. He called the appointment a "two-paragraph, page five" story, while most of the newspapers played it up in the headlines on the first page.

## Railroad Rates

Railroads, asking for permission to increase their freight rates, were given just about half of what they wanted by the Interstate Commerce Commission. The Commission granted requests which will raise the railroads' income next year by 43 million dollars, but it refused requests which would have added 50 million more to the revenue. The increases which were granted concerned principally bituminous coal and coke, but also included scrap iron, steel, iron ore, cement, and petroleum. The railroads based their requests on higher costs of operation which they are facing. They cited as an example the recent wage increases, which will raise the pay rolls approximately 130 million dollars a year.

## Housing Head

Nathan Straus of New York was recently appointed by President Roosevelt to direct the United States Housing Authority, which will administer the Wagner Housing Act passed by Congress last summer. Mr. Straus has been a member of the New York City Housing Authority. He made a survey of European housing conditions for Mayor La Guardia not long ago, and is regarded as an expert on housing. He once served as administrator of the NRA, and has been a state senator in New York.

His work with the Housing Authority will be to supervise the lending of 500 million dollars for the demolition of slums and the construction of low-rent housing projects. Mr. Straus believes that the local authorities should play the most important part in the housing program, with the national housing

# The Week in the

## What the American People

authority acting primarily in an advisory capacity.

## CCC Education

Half of the 300,000 boys in the CCC have never gone through the elementary schools. A few of them, three or four per cent, have had some college training, but the great majority is far behind in formal education. This year the CCC is better equipped to educate its members as well as provide them with food, clothing, and shelter. More money has been provided for education; each camp now has a building to be used for class work, and the camp libraries contain a million and a half books.

The members of the CCC are not required to go to school unless they want to do so, but 90 per cent of them are enrolled in classes of some sort. Schools and colleges located close to the camps have opened their classes to CCC members. Last year 50,000 of them were taught to read and write; 2,000 received high school diplomas, and almost all made some progress in the educational scale.

Most of the boys in the camps, who are between 17 and 20 years of age, have had little job experience. So the CCC officials try

ownership enthusiasts believe that they can sell electric power so cheaply it will be much more extensively in the future, especially on farms. They hope to develop

THE PRESIDENT'S SERVANT PROBLEM  
THOMAS IN DETROIT NEWS

state-wide system eventually, which will take advantage of all the water power which can be used to generate electricity. Washington will receive much of the electric power to be generated at the great Bonneville and Grand Coulee Dams.

There is opposition to public ownership of the grounds that the plants are inefficient, because they are controlled by politics. It is also claimed that rates are really lower under private ownership. Those who favor public ownership point to the low rates in Tacoma and Seattle municipal plants. They argue the public plants do not have to make a profit, so they can sell electricity very cheaply.

## A New Senator

The Senate seat left vacant last summer by the death of Senator Robinson will be filled by Representative John E. Miller of Arkansas. Miller defeated Governor Carl Bailey for the position. Although both Miller and Bailey are Democrats, the New Deal was the most important issue in the campaign. Miller, as a representative, opposed the President's wage and hour bill during the last session of Congress, and was unofficially against the Supreme Court measure. Although he professes a great deal of admiration for the President and some of his policies, he is not so enthusiastic a New Dealer as Bailey.

## Company Unions

One of the frequent complaints brought before the National Labor Relations Board is that a manufacturer has a "company union" which cooperates with the employers rather than giving the laborers fair representation. In this way, the company seems to be bargaining with its workers, holding conferences and allowing them an opportunity to state their grievances, when in reality the company controls the union.

But when is a union a company union, and when is it a voluntary organization of laborers entirely free from company control? The NLRB has been called upon to decide this question many times. It has ruled that a company union is one in which the company has suggested the form of the constitution, in which the employer has taken an active part



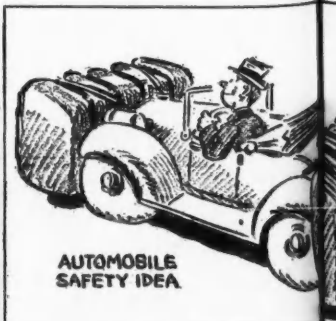
CALLING ALL JOBLESS

Thousands of these posters will be displayed all over the country during the next few weeks by the U. S. Unemployment Census, as part of the campaign to encourage voluntary registration of the nation's unemployed.

to do as much as possible to train them for some kind of work. The boys are taught auto mechanics, practical engineering, welding, carpentry, tree nursery work, and many other trades along with the regular work which the Corps does.

## Public Power

More than two-thirds of all the electric power systems in the state of Washington will soon be under state control. The legislature recently divided the state into power districts, and 18 of those districts have voted to take over the private systems and to build new plants and lines where needed. The public-

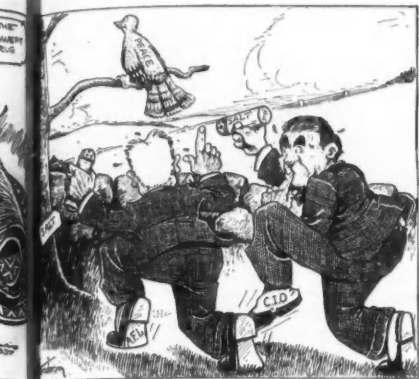




# The United States

## Doing, Saying, and Thinking

forming the organization, in which a few  
checked employees have been urged to create  
the union, in which membership is automatic  
soon as the worker is hired, or in which



A NICE IDEA IF IT WORKS  
HENDERSON IN PROVIDENCE JOURNAL

men have brought pressure on employees  
to join.

### Radio Newspapers

The time may come when the American  
family will have its morning newspaper neatly  
printed by radio during the night. A broad-  
casting company in California has filed ap-  
plication with the Federal Communications  
Commission to start radio newspapers worked  
on a principle called "facsimile printing." Re-  
cording machines attached to standard radios  
receive news broadcasts and change the spoken  
words into printed material. Experiments have  
been conducted for several years with fac-  
simile printing. The California stations will  
install a number of recorders in private homes  
to carry on their work; the broadcasts will  
be made between midnight and 6 a. m. The  
recorders cost only \$100, but the system has  
not yet been worked out sufficiently to make  
profitable their manufacture.

### Shipbuilding

The largest ship ever built in America will  
be started soon, with the government sub-  
sidizing its construction. The ship, which is  
being built to replace the *Leviathan*, will  
cost almost 16 million dollars. The govern-  
ment will pay this amount to the Newport  
News Shipbuilding Company, and it will then  
sell the ship to the United States Lines for  
10½ million dollars. This procedure was  
authorized by Congress under the Merchant  
Marine Act to meet the competition from  
foreign shipbuilders. Because of lower wages  
and cheaper materials, foreign shipbuilders  
can underbid American builders, so a govern-  
ment subsidy was considered necessary to  
encourage shipbuilding here. Other vessels  
may be built under the same conditions in the  
future.

### Junior Colleges

This year there are approximately 130,000  
students enrolled in junior colleges. Less than  
20 years ago there were only a few junior  
colleges in the country; now there are 528  
such institutions. The junior college first  
gained popularity in the West, where Los  
Angeles and San Francisco have schools of  
5,000 students. Gradually the junior college

moved eastward; now all but three states have  
them.

Junior colleges are both public and private.  
Many cities have added junior colleges to  
their regular school systems, supplementing  
the high schools. Figures show that in cities  
which have junior colleges, 70 per cent of  
the high school graduates go on to college,  
while in cities which do not, only 25 per  
cent go on with their education. Junior col-  
leges make it possible for students to live at  
home, thus cutting down the cost of college  
education. Some junior colleges specialize in  
vocational training; others continue the high  
school curriculum which combines vocational  
and college preparatory courses.

### Frozen Foods

Fresh, ripe vegetables at any time of the  
year have been made possible by a process of  
quick freezing. This new method of refrigera-  
ting food was discovered during depression  
years, but the industry has been doubling  
itself every year since it was first begun. The  
discovery which made the industry possible  
was simple enough. If fruits and vegetables  
are frozen slowly, they lose their taste. But



NEW HOUSING HEAD  
Nathan Straus, who as member of the New York City  
Housing Authority achieved prominence as a housing ex-  
pert. He has been named to administer the federal  
Wagner-Steagall Housing Act.

if they are suddenly subjected to temperatures  
of 50 degrees below zero, they may be kept  
indefinitely and lose none of their quality.

The fruits and vegetables must be picked  
at just the right time, treated immediately  
and sent to refrigerated warehouses for stor-  
age. There they are held at a low tempera-  
ture until the regular season is long past be-  
fore they are put on the market. More than  
30 companies are now in the business of freez-  
ing nearly every variety of fruit and vegetable,  
as well as many kinds of meat. No one knows  
how long frozen foods can be kept before  
they lose their taste. Food frozen 10 years  
ago at an experimental plant has been served  
as fresh, and no one knew the difference.



FROM A PHOTOGRAPH BY NORMAN WURTS IN "U. S. CAMERA, 1937"

## NEW BOOKS

WHEN Richard E. Byrd was a midship-  
man at the United States Naval Acad-  
emy in Annapolis, he was captain of the navy  
gym team during his senior year. The boys  
were practicing hard on new stunts, hoping  
that their daring would win them the inter-  
collegiate championship. But fortune inter-  
vened and sent Byrd to the hospital with a  
broken ankle, gained while he was practicing  
a dangerous stunt on the flying rings. De-  
spite the time which he lost from his studies,  
Byrd fulfilled the requirements for graduation,  
but within several years he was forced to  
retire from the navy because his old injury  
stood in the way of promotion.

Thus did Byrd almost miss getting a chance  
to learn to fly, for his retirement left him to  
accept a desk job with the Navy Department,  
far from airplanes and landing fields. Then  
the World War broke out, and the United  
States needed pilots; Byrd had the chance  
which he had been begging for. What hap-  
pened after he became a flyer is well known,  
because ever since he has been leading ex-  
peditions to the North and the South Poles,  
risking the dangers of Arctic wastes to make  
discoveries in these unmapped regions. He  
tells the stories of these adventures in "Ex-  
ploring With Byrd" (New York: G. P. Put-  
nam's Sons. \$2.50). Previously he has  
written three books to describe in more de-  
tail the experiences of his various expeditions,  
and now his latest book is the tale of his  
whole career. It is especially interesting be-  
cause few travel books have covered the  
polar territories where Byrd has been, and  
he writes in a style that matches in speed the  
fast-moving adventures which he describes.  
A number of photographs give good views of  
the lands reached by his expeditions.

RECENTLY the newspapers carried a story  
about the death of a young woman whose  
health had failed because she had been taking  
a medicine for reducing her weight. Although  
physicians repeatedly warn against the fads  
for weight-reducing by unnatural methods,  
this woman had failed to heed their advice.  
There have been other fatalities such as this,  
and thousands more have irreparably dam-  
aged their health simply because they tried  
to shed pounds of fat in ways that nature  
never intended. Pseudoscientific diets, bread-  
and-water starvation, and medicines—all have  
been used to the ultimate detriment of the  
persons who would be thinner.

This situation must sometimes discourage  
the doctors who have tried to publicize the  
inevitable danger of the so-called diet "sys-  
tems." Nevertheless, Dr. Morris Fishbein,  
editor of the *Journal of the American Medi-  
cal Association*, sets out to examine the claims  
of some of these methods in his book, "Your  
Diet and Your Health" (New York: Mc-  
Graw-Hill Book Company. \$2.50). His  
discussion does not center solely upon de-  
bunking unhealthful diets; he goes beyond  
that to explain the digestive processes and  
the value of all our common foods. Thus,  
the reader finds for himself that his body

is a highly specialized machine, one that is  
easily thrown out of gear when he tries to  
make it run on poorly regulated meals, or  
insists on taking medicines which are guar-  
anteed to melt away fat. No expert knowl-  
edge of physiology is needed to follow Dr.  
Fishbein's explanations, because he makes  
them in everyday language.

IN THE middle of the nineteenth century, a  
great famine swept over Ireland, and thou-  
sands of people died when the blight destroyed  
the nation's potato crop. Year after year the  
Irish had depended on their "praties," as they  
called them, and even one year of scarcity in  
the potato crop was enough to cause wide-  
spread suffering, but several such years greatly  
reduced the population, because many of  
those who survived immigrated to America.  
And to add to their difficulties, the farmers  
suffered harsh treatment from the landlords,  
most of them Englishmen, who kept the  
British parliament from helping the hungry  
Irish people.

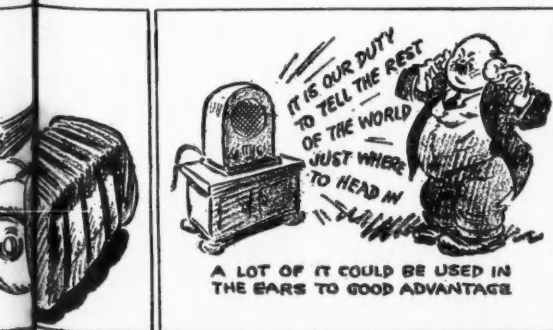
Liam O'Flaherty tells the story of these  
years in "Famine" (New York: Random  
House. \$2.50), a novel that is as grim as  
its title. It is an account of the poverty in  
Black Valley, where the famine of 1845  
struck its hardest blow. In that desolate  
region lived Brian Kilmartin and his wife  
and sons. Old Brian finally died as starvation  
took its toll in the valley, but he lived to see  
his son, Martin, take his young family to  
America, where other hundreds had fled to find  
a fairer chance for working and living. Al-  
though the account is not a pleasant one, the  
reader will find it intensely gripping, because



ON THE MAIN HIGHWAY TO LITTLE AMERICA  
From an illustration in "Exploring with Byrd."

it does so much to explain what has hap-  
pened in Ireland during the past 100 years.

THE increasing popularity of photography  
has brought the realization that the camera  
is an effective instrument in the hands of an  
artist. Consequently, many who have  
equipped themselves with camera and film  
are now making a careful study of the ways  
in which they can best achieve real artistry  
in their picture-taking. One of the ways in  
which they are doing this is to study collec-  
tions of pictures taken by recognized ex-  
perts. The best such collection is "U. S.  
Camera, 1937" (New York: William Morrow  
and Company. \$2.90). Edited by T. J.  
Maloney, this book presents well-chosen selec-  
tions from the most meritorious photography  
of the past year.—J. H. A.



A LOT OF IT COULD BE USED IN  
THE EARS TO GOOD ADVANTAGE



HERBLOCK FOR NEA SERVICE



## Federal Reserve System Exerts Great Control Over U. S. Credit

**A**N IMPRESSIVE four-million-dollar building in Washington was recently dedicated by President Roosevelt as the new home of the Federal Reserve System. There the System's Board of Governors has its offices, and from that building the nation's intricate and extensive banking structure is directed. The Federal Reserve System was created by Congress in 1913. Its make-up and duties have undergone minor changes at various times, but always it has had the principal function of controlling credit conditions. When businessmen and industrialists find it difficult to borrow money from their banks, then the Federal Reserve System acts to make money "easier." When conditions in the country show that there is too much speculation, too much borrowing on unsound security, the Federal Reserve System tightens its hold on the credit resources of the nation.

It can do this because its member banks do about four-fifths of the banking business in the United States, although only 40 per cent of the nation's banks are Federal Reserve members. All national banks—more than 5,000—are required to join the system, and another 1,500 of the most important banks in the country are also members.

### Board of Governors

At the head of the Federal Reserve System is the Board of Governors, consisting of seven members appointed by the President. The Banking Act of 1935 changed the organization of the Board slightly. Each member is now appointed for 14 years, and the appointments are rotated so that only one new member joins the Board every two years. The members are not eligible for reappointment. The Board, in general, determines the credit policies of the System. It decides whether or not the country is on a sound financial basis, whether it should make money easier or harder to get.

The Board, plus five representatives from the Federal Reserve banks, constitutes the Federal Open Market Committee. This Committee buys and sells securities—bonds, stocks, United States notes—as it deems wise. It does its trading not to make a profit, but to regulate the financial conditions in the country. If there is too much selling by private interests, and prices go down, then the Committee bolsters the bond market by buying. If all the private banks and investment companies are buying, then the Committee sells some of its securities to keep prices from going up.

There is a Federal Advisory Council, made up of 12 members, which meets in Washington at least four times each year, oftener if necessary, to advise the Board of Governors. In this way the Board keeps informed on conditions in the country, although the Council has no power itself.

The Federal Reserve System is divided into 12 districts. Each district has a Federal Reserve bank, and this bank is the center of the finances of that district. Each bank is controlled by a board of directors, made up of bankers, who represent the lenders of money; businessmen, who represent the borrowers; and government officials, who represent the general public. The districts in the eastern part of the nation, where most of the financial interests are concentrated, are much smaller than those in the west. The second district, for instance, includes only New York and New Jersey, while the twelfth district takes in eight western states.

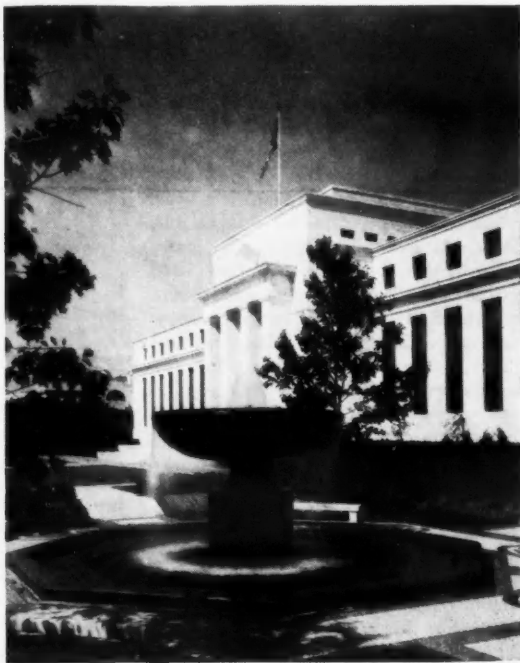
These Federal Reserve banks are not operated to make a profit. However, through buying and selling securities, the banks usually make their expenses and turn in a tidy sum at the end of the year. In 1936, the total income of the banks was 38 million dollars, while their expenses amounted to 26 million dollars. The surplus goes to the government treasury, into reserve funds, and to the member banks as dividends.

The member banks work directly with business and industry; they make the loans to private concerns. Each member bank is responsible to the Federal Reserve bank in its particular district. It deposits a certain amount of capital with the Federal Reserve bank when it becomes a member, and with this capital the Federal Reserve bank operates. The relation of the member banks to the Federal Reserve banks is much the same as the relation of the individual to his bank. When a grocer needs money to finance his store, he goes to his bank. If the bank needs to borrow money, in turn, to make the loan to the grocer, it goes to the Federal Reserve bank in its district.

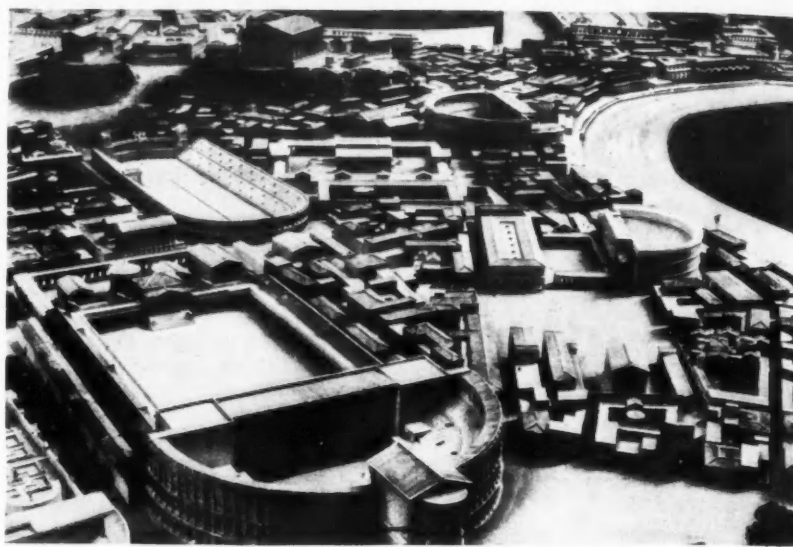
The System examines its member banks regularly. It requires statements and reports from them at frequent intervals, appoints some of their officials, and approves other chief executives. It may even remove directors or officials of any bank on the grounds that their banking practices are unsound, because if the smallest units in the System are weak, then the whole System is placed on a weak foundation.

### Currency Reservoirs

Big business in the nation is conducted largely on credit, of course, so the Federal Reserve System relies on its regulation of credit facilities to control the nation's finances. But the Federal Reserve banks are also the principal currency reservoirs of the United States, and their issues of money regulate the currency situation to a large extent. If a member bank needs more currency to take care of the demands of the people for cash, it deposits some of its securities with a Reserve bank, and receives in exchange the currency which it passes into circulation. Thus the Federal Reserve System itself does not put money into circulation just as it sees fit; it waits for the member banks to show that there is a need for more money. Currency is withdrawn from circulation through the same channels; if a member bank has too much paper money, it deposits its surplus with a Reserve bank. Federal Reserve currency makes up most of the paper money now used in the United States.



HARRIS AND EWING  
THE NEW FEDERAL RESERVE BUILDING IN WASHINGTON



WIDE WORLD

THE GLORY THAT WAS ROME  
The Italians remember the golden age of Augustus who "found a capital of brick, and left it of marble." A scale model of early Rome has been constructed in Italy. It will help to remind the people of Italy's ancient greatness which Mussolini has pledged himself to revive.

## Historical Backgrounds

By David S. Muzzey and Paul D. Miller

### The Fascist March on Rome

**W**ITH the possible exception of the Russian Revolution of 1917, no development in postwar Europe has had the far-reaching consequences of the famous "march on Rome," the initial step in the establishment of Fascism in Italy. A new type of government was set up, and changes in the economic life of the nation were effected, both of which have significantly had repercussions throughout the entire world. Under what circumstances was this birth of Fascism possible? What were the conditions which caused the seeds of this new political and economic philosophy to sprout and attain maturity?

It has frequently been stated that the growth of a dictatorial system like Italian Fascism is possible only under conditions of great social and economic stress. Only to a certain extent is this true in the case of Italy. Had the "march on Rome" occurred in 1919 or 1920, or even 1921, the facts would have borne out this theory. For during those years the Italian people were, indeed, passing through a period of great strain. They had emerged from the war embittered and disappointed. They had failed to reap what they considered to be their just share of the spoils of victory.

### Warnings of Crisis

During the early postwar period, social and economic conditions were almost unbearable. Unemployment was rampant, and many of the soldiers returned home unable to find jobs. The cost of living had soared to several times its prewar level. In the midst of this great crisis, the democratic government seemed paralyzed, for it was unable to take decisive action to remedy the situation. Warnings were given that if it did not act with vigor, a revolution similar to that which had taken place in Russia would occur in Italy.

These warnings were not without foundation in fact, for radical political groups were gathering a strong following among the farmers and workers. In the elections of 1919, for example, the Socialists doubled their number of seats in parliament. It has been conservatively estimated that during the winter of 1919-1920 fully a third of the population belonged to radical groups which demanded drastic action.

Social unrest reached its peak during the late summer of 1919 and through 1920. The farmers were seething with revolt, many of them refusing to pay rent and a number of them actually seizing the land they occupied. Strikes were frequent. During the months of August and September 1920, half a million workers actually occupied 600 factories and were running them. It was frequently predicted that the Socialists would actually take over the

government within a relatively short time.

This danger had, however, subsided by the middle of 1921. The wave of strikes had died down; workers' demands were more moderate; there was less social unrest. There was no immediate danger of a Socialist or Communist revolution, despite the fact that it is frequently asserted that Fascism saved Italy from Communism. Even the official historian of Italian Fascism, Volpe, admits this. In his "History of the Fascist Movement," he makes this significant statement:



DAVID S. MUZZEY

We must acknowledge that during the second half of 1921 and much more during 1922

conditions in Italy, or some of them, had begun to show improvement. There were encouraging signs of economic recovery. The people of Italy were back at work. Infatuation for Russia and its Bolshevism was disappearing. . . . The Italians were finding themselves again. . . . All this can and must be acknowledged. . . . But while many even among the Fascist sympathizers thought that the time had come for Fascism to disarm. . . . Fascism to the contrary pushed forward the mobilization of its forces. The main target was now the government, or, we may say, the parliamentary regime.

### Middle-Class Support

The Fascist movement received much of its early support from workers who, following the Socialists' failure to capture the government, turned to Mussolini. The Fascist promises of stability naturally appealed to the middle class—small property owners and professional people—and to those sections of the population which had no stomach for the more radical doctrines of socialism and communism. And the movement was abetted by the complete paralysis of the parliamentary government in Rome which remained ineffectual. Cabinet after cabinet fell and the democratic processes failed to function. The people were tired of the chaos and instability which had held Italy in its grip since the war. Mussolini held out the offer of social peace. As the historian Benms tells us in his "Europe Since 1914":

To the employers it (Fascism) meant the restoration of discipline among workmen and the reduction of wages; to landowners, possible protection against further outbreaks; to helpless and terrified professional men, middle classes, and intelligentsia, the restoration of law and order; to patriots, the purification of the civil life and the strengthening of the state. . . . Tired of violence and factional fights, the majority of Italians began to look to Mussolini to bring in an era of social peace.



THESE three imaginary students have been meeting from time to time on this page to talk things over. The same characters are continued from one issue to another. We believe that readers of THE AMERICAN OBSERVER will find it interesting to follow these discussions and thus to become acquainted with the three characters. Needless to say, the views expressed on this page are not to be taken as the opinions of the editors of THE AMERICAN OBSERVER.

**Mary:** I am pleased to learn that at last an organization has been formed for the purpose of analyzing the various evidences of propaganda in the United States. It is the Institute for Propaganda Analysis, and its directors include some of the country's leading educators. It will publish a monthly letter in which it will undertake to train people in detecting propaganda and thus to immunize themselves to the various forces which are constantly seeking to influence their opinions.

**Charles:** It is high time that such an organization was brought into being, for never before have the American people been subjected to such a barrage of propaganda. Through the newspapers, the radio, the newsreels, even in the schools and from the pulpits, subtle attempts are being made to bring people over to various points of view. Politicians, labor leaders, patriotic groups, business organizations, farm organizations, and dozens of other groups are all engaged in this great battle of propaganda. The people should be taught how to detect these propagandistic activities.

**John:** What, precisely, is your definition of propaganda?

**Mary:** I will give you the definition of the Institute. It defines propaganda as the "expression of opinion or action by individuals or groups deliberately designed to influence opinions or actions of other individuals or groups with reference to predetermined ends." To indulge in the dissemination of propaganda is, after all, I suppose, a very natural and human instinct. As Robert W. Desmond says in his, "The Press and World Affairs" (New York: D. Appleton-Century, \$4), "One of the oldest and most persistent manifestations of egoism among men has been the preference almost every individual shows for his own opinions and beliefs about any given subject, as against the opinions and beliefs of his neighbor. Not satisfied with preferring his own opinions and beliefs, he seldom will rest until he has persuaded his neighbor to accept, to share, and to fall in with them."

**John:** I suppose that is true. Why, as a matter of fact, every time the three of us meet we do that very thing. We disagree heartily on most national and international issues. Each of us tries to bring the others over to his point of view and musters the best arguments available to do so. Each is convinced of the soundness and correctness of his views and brings the energy of the zealot to his attempts to further his "cause."

**Charles:** Well, there's not very much danger in that sort of thing. I think, as a matter of fact, that our conversations are more educational than anything else, for they do enable us to clarify our views on the fundamental issues of the day, and while we may disagree, we at least increase our fund of knowledge and become broader in our views. Propaganda becomes dangerous when people are swayed by its appeal, unaware that what they are hearing or reading is propaganda.

**Mary:** Tell me, Charles, how would you detect propaganda in a speech or newspaper article or newsreel?

**Charles:** There is, of course, no set formula, but I have applied one rule which has helped me a great deal. I am always on guard when the attempt is made to pin an unpopular label upon a person or an organization or a movement. For example, how many times do we hear a person branded as a "communist," a "red," a "fascist," an "opponent of the American system," a "reactionary," a "demagogue," to say nothing of the stronger epithets which are hurled about so freely by the agencies of propaganda? Whenever I hear such labels used, I become suspicious of propagandist activities.

**John:** It seems to me that the New Dealers are past masters in the art of propaganda. Why, look at the President himself. He is very clever at coining new



## TALKING THINGS OVER

The study and detection of propaganda. What techniques do the various agencies use to influence public opinion? How can one distinguish between biased and unbiased information?

words or phrases to pin on to his political opponents. He calls his foes "tories," or "economic royalists," or "reactionaries," or "opponents of progress," and is able, merely by this subtle device of name-calling, to influence public opinion.

**Mary:** That may be, John, but what about the tactics of his enemies? Have they not stooped lower? They call him a "dictator," an "opponent of true Americanism," a "communist," and dozens of other names which are bound to stir up resentment among people.

**Charles:** It is unfortunately true that

an adjective which unconsciously creates an unpleasant reaction in the reader. This is a technique against which readers should be especially on guard, for it is so easy to acquire prejudices which cannot be broken down.

**John:** And what about your liberal and radical magazines and newspapers which attempt to create sympathy for workers by citing all the examples they can find of instances where they have been ill treated, without once mentioning cases where the workers themselves have been at fault and caused violence? It seems to me that such



politics is not carried on in an atmosphere of pure objectivity. It would be idle, like the old story of the kettle calling the pot black, to attempt to see which groups had the greatest guilt in this game. What should concern us most is how we may detect these attempts to influence opinion by propaganda.

**Mary:** It seems to me that most newspapers of the country have worked out an excellent technique for the spreading of propaganda. It is here that persons should be most on their guard, for the general impression prevails that information imparted by the press (except the editorial page, to be sure) is pure fact. I do not mean to imply that the newspapers would consciously impart biased information, or "color" their news stories, but there are other means of getting their points across.

**Charles:** I can cite you a very good example of that, Mary. At the time the child-labor amendment was being considered by the New York state legislature, a number of the leading newspapers in New York City always referred to it in its headlines not as the "child-labor amendment," but as the "youth-control bill," and naturally an unfavorable impression was created among a number of readers.

**Mary:** There are magazines professing absolute impartiality which have succeeded in accomplishing the same thing by the deft use of adjectives. In the attempt to describe a physical or temperamental characteristic of an individual, they will attach

a practice constitutes insidious propaganda.

**Charles:** Perhaps you are right, John, but don't forget the other side of the picture. What about the newspapers which either give only scant attention to labor problems or completely distort the facts? The editor has a powerful weapon for propaganda in his hands by the mere fact that he can select for publication the facts which he wants put across and ignore the others. He may give prominence to news stories favorable to his point of view and "bury" others in an inconspicuous corner of the paper. It has been only relatively recently that labor news has received anything like fair and impartial treatment at the hands of the American newspapers. Fortunately, a number of the leading journals now have attained a high degree of impartiality in this respect.

**Mary:** I was quite amused by one of the cleverest attempts at propaganda I have ever heard of. It is mentioned in Mr. Desmond's book and occurred more than a century ago. "William Cobbett," the author tells us, "would use a lesson in grammar as a means of propaganda. Ostensibly illustrating the use of the verb 'to be,' he would write, 'To say that all kings and priests is liars and oppressors of the poor' is not correct, but it is correct to say that 'all kings and priests are liars and oppressors of the poor.'" Incidentally, I found this book to be one of the most interesting I have read in recent months. It is a lesson in propaganda detection in itself, for it tells

of the many devices used by newspapers in all countries to influence opinion by imparting "information with a bias, or impressions with a bias." The author gets at the heart of the matter, it seems to me, when he says that "the propagandist, by emphasizing certain ideas and obscuring or suppressing others, shuts out the light of truth."

**John:** Let me make a suggestion. Why don't we all, during the next week or so, engage in a propaganda hunt? It could be sort of a game with us. We could look for evidences of propaganda in the newspapers and magazines we read, in the movies and newsreels we see, in the radio messages we hear. We might in this way be able to make ourselves immune to the various influences which are now at work. We can have our own "institute for propaganda analysis."

**Charles:** That is a very good idea. While I am not sure that we will succeed in every instance, I am sure that our conversation today has given us a few clues which will help us in our hunt.

## FASCIST ANNIVERSARY

(Concluded from page 2, column 4)

degree of power and prestige among the European nations never before enjoyed in modern times. Italy has become a first-rate military and naval power, whose voice counts for much in the diplomatic councils of Europe. During the last two years, she has successfully defied the almost united opposition of Europe in annexing Ethiopia. She has challenged the British navy for supremacy in the Mediterranean, and there is at least an equal chance that her domination over that crucial sea lane will become firmly established. More significantly, she and Germany have, during the last few months, forced Great Britain, France, and Russia to back down on practically every stand they have taken in connection with the Spanish civil war. Italy has, indeed, become a first-rate power. But has it been worth the price which the Italian people have had to pay? That is a question which must remain unanswered.

## Your Vocabulary

Do you know the meaning of the italicized words in the following sentences? The mischievous boy *vexed* his parents. The people *lamented* their leader's death. He had a *dubious* scheme for making money. The tropical workers were *indolent*. The driver saw an *impediment*. The youth's story was hardly *credible*. The man will always *condone* slighting remarks. The teacher decided to take *punitive* measures in the case. A *judicious* parent wants his children to help themselves. The young artist had an *innate* skill for drawing.

## SOMETHING TO THINK ABOUT

1. Is it accurate to say that the stock market is a true barometer of business conditions? Why?
2. What is meant by "buying on margin," and how have the regulations concerning it been changed during recent months?
3. To what causes do you attribute the recent decline in stock prices?
4. Is it accurate to define Fascism as a system of government where the state uses its power to protect capitalists and the profit system? Why?
5. What control does the Italian government exercise over business? workers? farmers?
6. What have been the main accomplishments of Fascism in Italy after 15 years of power?
7. What influence does the Federal Reserve System have over the credit facilities of the nation?
8. Name three ways in which a newspaper may influence public opinion through the use of propaganda.
9. What is the possible significance of Germany's pledge to observe Belgian neutrality?
10. Do you think the criticisms of the President's appointment of his son as coordinator of independent executive agencies are justified?



# Stock Market and Business Conditions

(Concluded from page 1, column 1)



THE INTERIOR OF THE NEW YORK STOCK EXCHANGE

regard it as a barometer of the general economic health of the nation. It is primarily in this respect that the recent slump on the market commands attention.

## A True Barometer?

To what extent is the stock market, popularly referred to as Wall Street, a true barometer of the state of American business? Does the decline in the price of stocks indicate that business itself is on the downgrade? It is, of course, a well-known fact that stock market slumps have frequently in the past reflected the true course of business; that they have ushered in industrial depressions. But this is not always the case, and very often such fluctuations have little or nothing to do with the conditions of business and industry.

People who buy shares of stock in the thousands of corporations do so when they feel that there is a chance of making profits from their investments. That is, they have confidence that the corporations will make money and that they will share in these profits. This optimistic spirit and wave of buying cause the price of stocks to soar. Contrariwise, when they lose confidence in the ability of business concerns to make money, they sell stock on a large scale and the price declines rapidly. That, apparently, is what has been happening since the middle of last August.

But it is largely guesswork which motivates people's actions. They are governed more by future possibilities than by actual conditions. Frequently their calculations are wrong. They misjudge the soundness of business. For example, statistics show that general business conditions early in the fall of 1929 were on the downgrade, whereas the stock market was climbing to unprecedented heights. The effectiveness of the stock market in revealing the true state of business is limited by the fact that so many people use it for speculative purposes rather than for investment. They buy and sell stocks solely for the object of making a quick turnover and a quick profit. They may buy and sell the same stock in one day. Naturally, these people are most sensitive to rumors. When large numbers of them become gripped with the fear that there is to be a decline, they start a wave of selling which spreads in snowball fashion. It is only when they lose their fear and feel that prices are again going to rise that they start buying again. Were it not for these speculators, the stock market would be a much more accurate barometer of business conditions than it actually is.

Even though the government has taken steps to regulate the stock market with a view to reducing speculation to a minimum, it has not met with complete success. It is a fairly easy thing for a person to speculate on the price of stocks. The stocks of the leading corporations of the nation are listed on stock exchanges in all the principal cities. The central exchange is, of course, the New York Stock Ex-

change, which affects prices in all parts of the country. Prices of stocks on Wall Street are telegraphed to all the exchanges, and the person wishing to trade in stocks can find out how much a given stock is selling for at any hour of the day. All he needs to do is to go to a broker's office or to a bank and purchase any number of shares of stock. The local broker wires a New York broker and the stock is purchased. The broker pays a small commission to the broker who makes the deal for him. If he wishes to sell, he has only to pick up the telephone and instruct his broker.

It is not even necessary for a person to put up the full price of the stock he wishes to buy. Until a few years ago, he could acquire it by putting up only a tenth of the purchase price. The government now insists that 55 per cent of the cost be paid in cash by the customer. Thus, if a man wishes to buy 100 shares of a given stock which sells for \$50 a share, he need not have \$5,000 in cash. He can put up \$2,750. The broker will lend him the balance, holding the stock as security for the loan. Transactions of this kind are known as "buying on margin," and millions of shares are traded in this way.

## Margin Buying Restricted

Naturally, a stock broker feels safe in handling "margin" transactions. He has possession of the stock and can always sell it for enough to pay off the loan. The investor himself is safe so long as the

price does not decline too much, or so long as he has a cash reserve sufficiently large to cover the loan in case of a fall in price. There are many investors, however, who are not so fortunate. They buy stock on margin, confident that the price will not decline to the point of endangering their investment. But many of them are frequently fooled, for the price does decline. Their brokers call for money to cover the loan; they are unable to pay; their stock is sold, and they are ruined financially. During the recent slump, hundreds of people were wiped out because they could not cover their margin accounts and their stocks were sold. The more rigid governmental requirements with respect to margin accounts have greatly reduced the number of people who may be shorn by forced sellouts of this kind.

Many financiers blame these stiff margin requirements for the recent break in the market. By requiring higher cash payments for stock, fewer people enter the market and fewer shares of stock can be bought. As a result there is less trading on the stock exchanges. Thus, the market is more sensitive and more likely to stage wide fluctuations than would otherwise be the case. If people could invest their money more easily, it is argued, sudden shocks would be cushioned. Supporters of the government's policy, however, do not accept these arguments. They contend that it is too risky to allow persons to invest money by putting up only a fraction of the stock price, when a minor fluctuation might cause them to lose everything. With the present requirements there has to be a drastic drop in prices before a person may be wiped out.

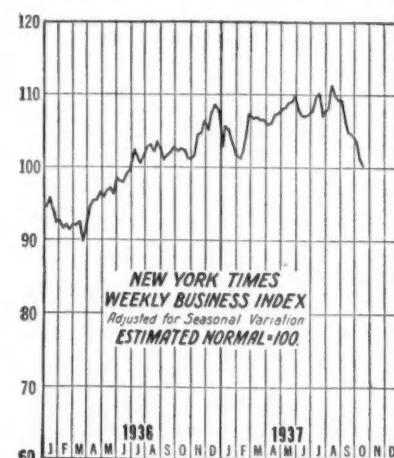
## Business Conditions

We now come to the question whether there is anything in the present business situation to justify the steady decline in stock prices. It is true, as a matter of fact, that the most reliable barometers of business conditions reflect a decline during the last few weeks. These barometers are made up of a number of items which, taken together, show whether business is good or bad. Such things as the amount of steel produced, automobile production, electric power production, freight carloadings, lumber production, cotton mill activity, etc., all go into the business indexes. One of the most reliable of these is the weekly index of the New York Times. It shows that since the middle of August, there has been a rather sharp decline in business activity. But it is in no sense as

great as the slump in stock market prices.

As a matter of fact, there are many hopeful signs on the horizon which would seem to indicate that the present downward movement of business is but a temporary recession. In the first place, the income of both farmers and workers is much larger than it has been for some time, and there is no reason to believe that this increased income will not be reflected in larger sales and greater business activity. Foreign trade is in much larger volume, and barring a major war, should continue to expand. Steel production, which is one of the most sensitive barometers of conditions, has greatly declined during recent weeks, it is true, but it is expected to increase when the automobile manufacturers start production on their new models on a large scale. As a matter of fact, the automobile industry has frequently had a decisive effect in stimulating business in general.

While it has been rumored that orders were not being placed for future deliveries of goods, there seems to be no basis in fact for this assertion, except in a few isolated industries. In general, the consumption of most goods is continuing at a better pace



COURTESY NEW YORK TIMES  
THE COURSE OF BUSINESS  
The rise and decline of business conditions since the beginning of 1936.

than production, which, if continued, will mean that production will have to be accelerated. Moreover, there is expected to be the usual increased activity which always comes at the Christmas season.

## Building Industry

One of the weak spots in the business picture has been the lag in the construction industry. There is a great need for houses, apartments, office buildings, and factory enlargements. Several reasons for this lag are given, not the least important of which is the high cost of building materials. Whether there will be increased activity in this field in the near future is, of course, unknown, but it is considered an encouraging sign that there is now a great shortage.

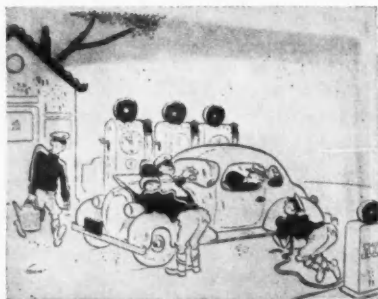
Although there are a few prophets of disaster who insist that the precipitate declines in stock prices indicate that we are on the threshold of another depression, the consensus of opinion among reputable economists seems to be that the recovery movement has been only temporarily halted and that it will soon continue to move forward. Many contend that stock prices had risen to heights entirely unjustified by business activity and that it was only natural that there should be a decline. Overoptimism is frequently followed by undue pessimism, which is soon dispelled if basic conditions are healthy. There seems to be little doubt that much of the alarm of recent weeks has been due to the unsettled international situation and the threat of war. The future of American business is closely linked to the outcome of the present foreign crisis. Meanwhile, both business leaders and the government have assumed an attitude of watchful waiting as they look to an unpredictable, though in the main, hopeful future.

## Smiles

Teacher: Henry, analyze this sentence! It was getting to be milking time; what mood?  
Henry: The cow! —BOYS' LIFE

"I'll pay cash for the car."  
"Hm-mm! This is such an unusual procedure that I'll have to ask you for references." —SELECTED

No wonder the Rodeo is packing them in at Madison Square Garden. It isn't the steer-roping or bronco-busting that's attracting people; right now it is the cheapest way to see a good-sized piece of meat. —N. Y. WORLD-TELEGRAM



"LATER ON, MAYBE I CAN HAVE SOME GAS, HUH?"  
GERARD IN COLLIER'S

"What do you mean, when you say I've been deceiving you for years?"

"Well, for one thing, John, I've just found out that you get a \$2,500 allowance on your income tax return for being married, and you only gave me a miserable \$10 a week." —SELECTED

Corporal: "The general was quite provoked this morning."

Lance-Corporal: "What about?"

Corporal: "He received a letter marked 'Private.'" —TORONTO GLOBE AND MAIL

There are can-openers on the market now so efficient that they will do everything except say, "It has been so warm today I thought we would enjoy a cold dinner." —LIFE

"The process of thinking draws the blood from the feet to the head," an educator informs us. This explains, perhaps, why, in so many cases, if you think twice about a proposition, you get cold feet. —ATLANTA JOURNAL

There are two kinds of investors—small fry and those who fry them. —BERNARD J. REIS

If the trend to lighter trains and heavier buses continues, soon the trains will be stopping for grade crossings. —MOBILE REGISTER

Guest: "Now, don't trouble to see us to the door."

Hostess: "Oh, it's no trouble—it's a pleasure." —BOYS' LIFE